Annual Report
2004/2005

LEAF RAPIDS TOWN PROPERTIES LTD.

MINISTER OF
INTERGOVERNMENTAL AFFAIRS AND TRADE

Room 301
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8
General Office: (204) 945-3788
Fax: (204) 945-1383

The Honourable John Harvard, P.C., O.M.
Lieutenant Governor of Manitoba
Room 235, Legislative Building
Winnipeg, MB
R3C 0V8

May it please Your Honour:

I have the privilege to present, for your information, the Annual Report of Leaf Rapids Town Properties Ltd. for the fiscal year ended March 31, 2005.

Sincerely,

Scott Smith
Minister

2007-01486/

LEAF RAPIDS MANITOBA, R0B 1W0 • TELEPHONE [illegible]

Leaf Rapids Town Properties Ltd.

Honourable Scott Smith
Minister of Intergovernmental Affairs
and Trade
301 Legislative Building
Winnipeg MB R3C 0V8

Dear Minister:

I am pleased to present you with the Annual Report for Leaf Rapids Town Properties Ltd. for the fiscal year ending March 31, 2005.

Audited Financial Statements, submitted as required, by the Provincial Auditor, are appended to the Report.

Yours sincerely

L. McFadyen

Linda McFadyen,
Chairperson

ANNUAL REPORT

LEAF RAPIDS TOWN PROPERTIES

2004-2005

Members of the Board:
Marie Elliott, Chairperson
Geoff Bawden
Don Delisle
Dr. Christine Kaszycki
Christine Burton
Harvey Bostrom
Jeff Gordon

Management:
Christine Burton, General Manager
John Kokorsch, Property Manager

Town of Leaf Rapids Advisory Member
Carol Opperman, Chief Administrative Officer
Judy Prescott, Town Administrator

Leaf Rapids Town Properties Ltd. (LRTP) is a share capital corporation located in the Town of Leaf Rapids that was established to manage the Town Centre and other properties in Leaf Rapids. The shares of the Corporation are held by the Minister of Finance. The Corporation operates on a April 1 – March 31 fiscal year.

Initially created as the Leaf Rapids Development Corporation, LRTP's mandate has evolved to include:

- foster the economic growth of the local area;
- encourage the growth of local business;
- raise money for the purpose of economic development in the Leaf Rapids' area;
- finance and/or assist in the financing of enterprises to operate in the area;
- act as project manager for local development projects;
- manage all assets for LRTP including the Town Centre Mall, Commercial Building, garage station, trailer park and vacant lands

The Management of LRTP reports to a Board of Directors formed by the Province. Directors are selected in recognition of their related portfolio responsibilities as senior staff in the Manitoba civil service. In 2004-05, the Chairperson was also the Deputy Minister of Intergovernmental Affairs and Trade

(IAT). The General Manager of LRTP, who is also Secretary of the Board, is an Assistant Deputy Minister of Intergovernmental Affairs and Trade. The remaining Board Members brought their experience from the Departments of Finance, Industry, Economic Development and Mines, Transportation and Government Services and Aboriginal and Northern Affairs. The Town of Leaf Rapids participates in Board meetings in an advisory capacity.

In 2004-2005, all administrative and accounting functions were managed by the Department of Intergovernmental Affairs and Trade. A Property Manager reports to the General Manager on matters relating to the operations of the Town Centre and all other LRTP properties.

The closing of the Ruttan Mine in 2002 directly affected the lives of the citizens of Leaf Rapids, many of whom were employed in the mine. The community continues to work to establish a new economic base. The Provincial Government continues to assist the adjustment process, and LRTP contributed to the Provincial Government's efforts by encouraging business and other community groups to operate from its facilities.

Since the closure of the mine, all the LRTP properties continue to operate with little or no interruption in services. Extraordinary measures have been taken to support the community through its transition. However, as a consequence of these measures, the Town Centre is not self-sufficient in meeting its costs despite several efficiency initiatives. In order to maintain continued service in the Town Centre, LRTP has been drawing down its financial reserve. This will have longer term implications for the Corporation.

Leaf Rapids Town Properties continues to operate the Town Centre, which includes the Health Centre, Frontier School, the Town Offices, and several commercial tenants. The facility includes a hotel that closed in 2004. LRTP has helped eliminate the strain on commercial tenants by lowering rents wherever possible and re-negotiating the leases/agreements to recognize other cost factors for tenants.

LRTP also owns and operates a trailer court commonly known as Suwannee Way. As part of LRTP efforts to rationalize business operations and asset holdings, LRTP decided in 2004-2005 to close Suwannee Way trailer court with the implementation of that decision to occur in a future year. There are other trailer courts in the community that are underutilized and staff will work with the Town to plan for this change in the community.

To protect the Corporations assets for the community as a whole, LRTP continued to undertake crucial repairs on an as required basis.

LRTP continues to assist the Town of Leaf Rapids wherever possible in moving through its transitional period towards a more sustainable future.

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Directors of Leaf Rapids Town Properties Ltd.

We have audited the balance sheet of Leaf Rapids Town Properties Ltd. as at March 31, 2005 and the statements of loss and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Winnipeg, Manitoba
May 6, 2005

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available.

Management maintains internal controls to provide reasonable assurance that the financial information is reliable and accurate and that the assets of the Corporation are safeguarded.

The Board of Directors is responsible for the review and approval of all financial statements and for overseeing management's performance of its financial reporting responsibilities.

Chairman and Chief Executive Officer

General Manager

May 6, 2005

Leaf Rapids Town Properties Ltd.

Financial Statements

March 31, 2005

LEAF RAPIDS TOWN PROPERTIES LTD.

STATEMENT 1

BALANCE SHEET

MARCH 31

	2005	2004
ASSETS		
CURRENT		
Cash and short term deposits	$ 873,444	$ 1,087,257
Accounts receivable	32,992	61,524
GST receivable	85	1,749
Prepaid expenses	16,565	14,681
	923,086	1,165,211
DEVELOPED LOTS HELD FOR RESALE *(Note 2(c))*	1	1
NOTE RECEIVABLE *(Note 4)*	1	1
CAPITAL ASSETS *(Note 5)*	1	1
	$ 923,089	$ 1,165,214
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 58,788	$ 69,738
Deferred income	5,095	6,405
	63,883	76,143
LONG TERM DEBT *(Note 6)*	1,498,577	1,498,577
	1,562,460	1,574,720
SHAREHOLDERS' DEFICIT		
SHARE CAPITAL *(Note 7)*	2,621,100	2,621,100
DEFICIT	(3,260,471)	(3,030,606)
	(639,371)	(409,506)
	$ 923,089	$ 1,165,214

Approved on behalf of the Board

Director

Director

LEAF RAPIDS TOWN PROPERTIES LTD.

STATEMENT 2

STATEMENT OF LOSS AND DEFICIT

YEAR ENDED MARCH 31

	2005	2004
REVENUE		
Rentals	$ 159,208	$ 21,196
Cost recoveries	308,186	454,452
Administrative expenses paid for by the Province of Manitoba *(Note 2(e))*	36,013	53,498
	503,407	529,146
EXPENSES		
Administrative expenses *(Note 2(e))*	36,013	53,498
Bad debts	93,208	(26,022)
Insurance	55,699	49,762
Janitorial	100,322	67,369
Professional fees	37,032	7,974
Property improvements	35,330	
Property taxes	106,222	122,212
Repairs and maintenance	57,248	136,968
Salaries and benefits	77,494	165,929
Snow removal	1,796	8,155
Sundry	1,171	1,545
Supplies and office	17,690	21,766
Telephone	4,346	5,413
Utilities	96,780	108,258
Vehicle and travel	11,499	12,020
Whitewater inn	19,488	
Winnipeg office	8,299	15,191
	759,637	750,038
OTHER (EXPENSE) REVENUE		
Corporation capital tax	(4,265)	(417)
Interest, net	18,685	33,438
	14,420	33,021
LOSS ON OPERATIONS	(241,810)	(187,871)
Gain from prior write down of note receivable *(Note 4)*	11,945	11,944
NET LOSS FOR YEAR	(229,865)	(175,927)
DEFICIT, *beginning of year*	(3,030,606)	(2,854,679)
DEFICIT, *end of year*	$(3,260,471)	$(3,030,606)

LEAF RAPIDS TOWN PROPERTIES LTD.

STATEMENT 3

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2005	2004
CASH FLOW FROM		
OPERATING ACTIVITIES		
Net loss	$(229,865)	$(175,927)
Net change in non-cash working capital:		
Accounts receivable	28,532	(37,902)
GST payable	1,664	3,106
Prepaid expenses	(1,884)	(3,064)
Accounts payable and accrued liabilities	(10,950)	(79,620)
Deferred revenue	(1,310)	(3,822)
	16,052	(121,302)
NET DECREASE IN CASH DURING YEAR	(213,813)	(297,229)
CASH, *beginning of year*	1,087,257	1,384,486
CASH, *end of year*	$ 873,444	$ 1,087,257
CASH COMPRISED OF		
Cash	$ 212,424	$ 46,625
Short term investments	661,020	1,040,632
	$ 873,444	$ 1,087,257

LEAF RAPIDS TOWN PROPERTIES LTD.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2005

1. NATURE OF OPERATIONS

Leaf Rapids Town Properties Ltd. was incorporated in 1971 under The Manitoba Companies Act. It was charged with the responsibility for the planning, design and development of the community of Leaf Rapids. Since the completion of the development, the Corporation has managed, leased and operated its physical assets and properties in Leaf Rapids.

2. SIGNIFICANT ACCOUNTING POLICIES

The Corporation's financial statements have been prepared using Canadian generally accepted accounting principles. The significant accounting policies are as follows:

(a) Management Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in income in the period in which they became known.

(b) Capital Assets

Capital assets are stated at cost, less accumulated amortization and write downs. Certain capital assets were written down in 2000 to their net realizable value. As well, in 2002, land, buildings and equipment were written down to reflect the reduction in their useful lives as explained in note 9. Accordingly, there is no amortization for 2005

(c) Developed Lots

Developed lots held for resale were written down, in a previous year, to a nominal value of $1. Property taxes and any other related costs are charged to operations.

(d) Pension Expense

The Corporation participates in a multi-employer pension plan. Pension expense is equal to the Corporation's annual funding of the pension plan. The annual funding is based on the Corporation matching the employees required contributions.

(e) Administrative Support

The Government of the Province of Manitoba provides the services of support staff, other administrative support services, office space and utilities. The cost of the services of support staff are estimated and included in the financial statements.

3. GOING CONCERN

The accompanying financial statements have been prepared on the going concern assumption that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business. Revenues have continued to drop since the closure of the Ruttan Mine in May, 2002 and as a result the Corporation is undergoing severe cash flow problems. The Corporation is currently reviewing their financial position and the long term plans for the Corporation.

...../2

4. NOTE RECEIVABLE

In 2001, the Corporation provided financing to the Leaf Rapids Community Development Corporation for the renovations to the dental clinic. Effective March 31, 2002, the terms of the repayment were renegotiated. The note receivable was written down in 2002 by $49,686 to reflect the uncertainty regarding the ultimate collection, as explained in note 9. The Corporation continued to collect based on the terms shown below, for the past fiscal year. As such the 2002 write down has been adjusted as of March 31, 2005 to reflect the outstanding balance of $25,797. This adjustment is reflected as a gain from prior write down on the statement of loss and deficit.

	2005	2004
Note receivable, non-interest bearing, repayable in monthly installments of $995, due May, 2007	$ 1	$ 1

5. CAPITAL ASSETS

	Cost	Accumulated Write Down	Accumulated Amortization	Net Book Value 2005	Net Book Value 2004
Commercial Properties					
Land	$ 478,766	$ 478,765	$	$ 1	$ 1
Building	1,627,110	561,919	1,065,191		
Equipment	14,246	4,110	10,136		
Non-Commercial Properties					
Land	414,692	414,692			
Building	4,701,479		4,701,479		
Other Property					
Land	82,301	82,301			
Building	857,752	321,652	536,100		
Equipment	201,311	60,217	141,094	-	-
	$ 8,377,657	$ 1,923,656	$ 6,454,000	$ 1	$ 1

6. LONG TERM DEBT

Long term debt payable to the Province of Manitoba consists of $1,498,577 in 10% income debentures, secured by a floating charge on all assets of the corporation. Annual installments against this debt are determined based on one-half of the prior year's cash flow from operations. Cash flow is defined as net income from operations, plus amortization expense, less the installment amount paid in the year.

Interest expense is recorded as an accrual each year and, based on the required annual installment that becomes due and payable subsequent to each fiscal year. If the required annual installment exceeds 10% of the outstanding long term debt, the amount of the require annual installment in excess of 10% of the outstanding long term debt is applied against the outstanding long term debt principal and the remainder is recorded as interest expense. If the required annual installment is less than 10% of the outstanding long term debt, the full amount of the installment is recorded as interest expense. The difference between that recorded interest expense and 10% of the long term debt is not recorded and is non-cumulative. For the year ended March 31, 2005, the accrued interest expense amounted to $0.00. The difference between the interest expense of $0.00 and 10% of the long term debt is $149,858.

...../3

NOTES TO FINANCIAL STATEMENTS

MARCH 31,2005

7. SHARE CAPITAL

	2005	2004
Authorized -		
40,000 common shares, not to exceed $40,000		
26,210 8.15% non-cumulative, redeemable, preferred voting shares, not to exceed $2,621,000 with a redemption price of $100 per share		
Issued and fully paid -		
100 common shares	100	100
26,210 preferred shares	2,621,000	2,621,000
	$ 2,621,100	$ 2,621,100

Ownership: All issued shares are held by the Minister of Finance of the Province of Manitoba.

8. INTEREST (NET)

	2005	2004
Interest revenue	$ 18,685	$ 33,438

9. RELATED PARTY TRANSACTIONS

As stated in note 6, all issued shares of the Corporation are held by the Minister of Finance of the Province of Manitoba. In addition, the long term debt and related interest described in note 5 are payable to the Province of Manitoba. The interest income described in note 7 is earned on short term deposits held by the Province of Manitoba. The Corporation also has the following balances with the Province of Manitoba and its agencies reflected in these financial statements as at March 31, 2005. These transactions and balances are in the normal course of operations and are measured at the exchange amount agreed to by the related parties.

	2005	2004
Short term deposits	$ 661,020	$ 1,040,632
Accounts receivable	1,491	3,195
Accounts payable	15,962	10,672

...../4

10. WRITE DOWN OF ASSETS TO NET REALIZABLE VALUE

The viability of the Corporation has depended on the ongoing successful operation of the Ruttan Mine. Based on information known in 2000, existing ore reserves were expected to continue for another four years. Accordingly, in 2000, management wrote down certain capital assets to reflect this uncertainty. In 2000, the Corporation determined the net realizable value of the Town Centre land to be $100,000, the equivalent of the maximum price it would receive should it sell the land. Accordingly in 2000, the Town Centre land was written down by $123,996. The industrial park land, the mobile home park land, the Town Centre buildings and the commercial buildings were written down in 2000 to estimated future cash flows from operations. The cost of these assets was written down in 2000 by $1,064,414.

On October 29, 2001, the owner of the Ruttan Mine announced that it would be shutting down the mine in May, 2002. A number of alternatives are currently being reviewed by the Town of Leaf Rapids for the utilization of the mine and/or the utilization of available housing in the Town. The ongoing viability of the Corporation will depend on the outcome of the implementation of the alternatives currently being reviewed.

In 2002, the cost of land, buildings and equipment was written down by $320,554 to reflect the reduction in their useful lives due to the closing of the Ruttan Mine. As well, due to the mine closure and the effect that this will have on the economy of Leaf Rapids, the following asset write downs, totaling $111,981 were made in 2002:

a) the allowance for doubtful accounts receivable was increased by $67,775 to reflect the uncertainty of the ultimate collection of the accounts receivable;

b) the carrying values of prepaid expenses and maintenance inventory were written down by $21,977 and $22,229 respectively to reflect the uncertainty regarding the future benefit of these assets.

11. FINANCIAL INSTRUMENTS

a) Credit Risk

The Corporation is exposed to credit risk on the accounts receivable from its customers. An allowance for doubtful accounts has been established by the Corporation, based upon factors surrounding the credit risk of specific customers, historical records and other information.

b) Fair Value

Due to the short term nature of all financial instruments, other than long term debt, the carrying values as presented in the financial statements are reasonable estimates of fair value. As is true for all estimates, actual fair value could differ from this estimate and, if so, any differences would be accounted for in the period in which it becomes known. For long term debt, it is not practical within constraints of timeliness or cost to determine the fair value with sufficient reliability because the instruments are not traded in an organized financial market.